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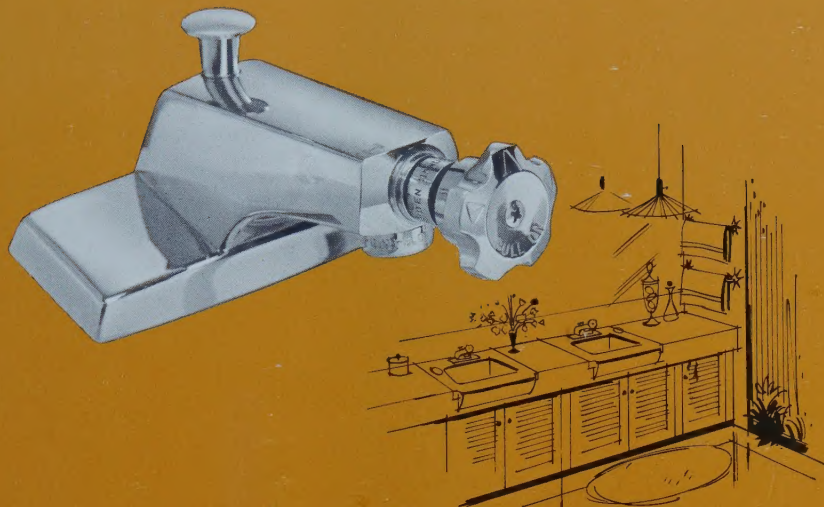
gale



AMERICAN-Standard

ANNUAL REPORT for 1961

MAR 18 1962



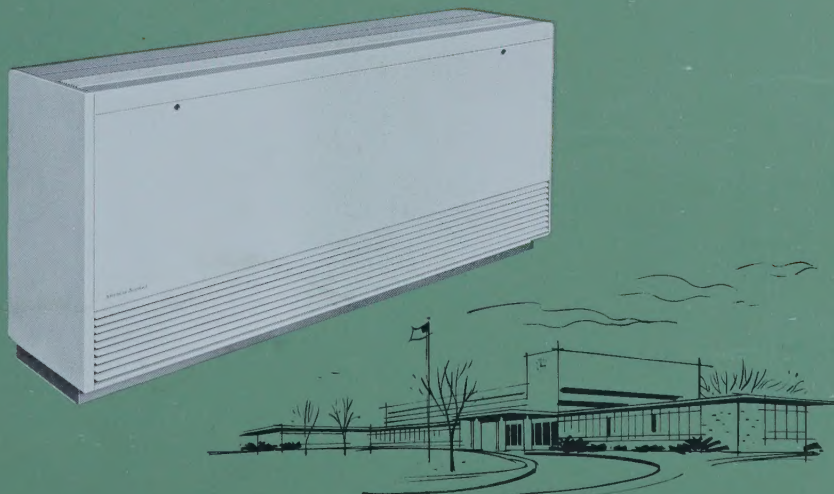
Push-Pull—new concept in plumbing fittings.

with

PRODUCT

DEVELOPMENT

NEWS



New unit ventilator—for schoolroom health and comfort.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Thursday, April 12, 1962 in Carnegie Hall, Seventh Avenue and 57th Street, New York City, at 2 p.m.

EXECUTIVE OFFICES

40 West 40th Street,
New York 18, N. Y.

GENERAL COUNSEL

Sullivan & Cromwell,
New York, N. Y.

AUDITORS

Arthur Young & Company,
New York, N. Y.

STOCK TRANSFER OFFICES

Preferred and Common Stocks:
Office of the Corporation,
50 West 40th Street,
New York 18, N. Y.

Common Stock:
Harris Trust and Savings Bank,
Chicago 90, Illinois

REGISTRARS

Preferred and Common Stocks:
First National City Bank,
New York 15, N. Y.

Common Stock:
The First National
Bank of Chicago,
Chicago 90, Illinois

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AMERICAN-Standard

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

financial highlights

| | 1961 | 1960 |
|---|---------------|---------------|
| Net sales | \$468,912,000 | \$480,236,000 |
| Net income | 13,930,000 | 13,189,000 |
| Per share of common stock..... | 1.19 | 1.10 |
| Dividends paid—preferred stock | 307,000 | 307,000 |
| —common stock | 9,246,000 | 9,347,000 |
| Per share of common stock..... | .80 | .80 |
| Working capital | 162,923,000 | 164,508,000 |
| Ratio of current assets to current liabilities.... | 3.7 to 1 | 3.8 to 1 |
| Property, plant and equipment—net..... | 133,621,000 | 144,839,000 |
| Capital expenditures | 14,407,000 | 15,247,000 |
| Depreciation | 15,365,000 | 15,010,000 |
| Common stockholders' equity (after special charges to earned surplus of \$6,700,000 in 1961) | 272,239,000 | 277,137,000 |
| Per share of common stock | 23.72 | 23.79 |
| Average number of employees..... | 35,100 | 36,700 |

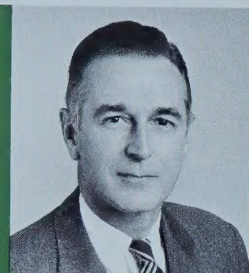
board of directors



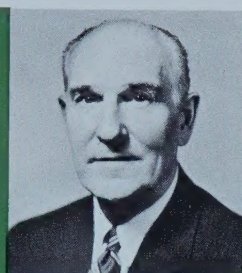
JOSEPH A. GRAZIER
President,
American-Standard



MARK A. BROWN
President Retired,
Harris Trust
and Savings Bank



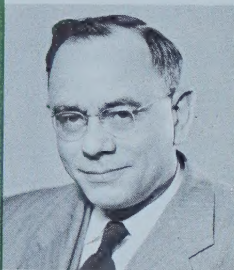
E. NEWTON CUTLER
Senior Vice President,
First National City
Bank, New York



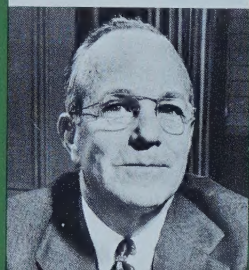
ADRAIN R. FISHER
Director,
Johns-Manville
Corporation



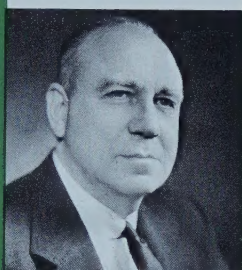
JOHN C. GRISWOLD
Executive Vice President,
W. R. Grace & Company



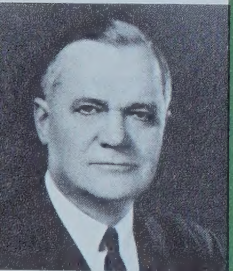
JOHN C. LINSENMAYER
Executive Vice President,
American-Standard



DAVID L. LUKE
President,
West Virginia Pulp
& Paper Company



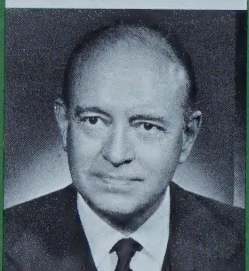
GEORGE P. MacNICHOL, Jr.
President,
Libbey-Owens-Ford
Glass Company



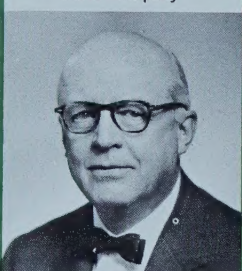
ALEXANDER C. NAGLE
Director,
First National City
Bank, New York



LAURENCE C. WARD
Vice President,
American-Standard



HENRY S. WINGATE
Chairman,
The International Nickel
Company of Canada, Ltd.



HERBERT B. WOODMAN
President,
Interchemical Corporation

officers

JOSEPH A. GRAZIER, President

PAUL M. AUGENSTEIN, Executive Vice President

JOHN C. LINSENMAYER, Executive Vice President

WILLIAM C. CAWTHON, Vice President, Manufacturing
WILLIAM H. CHAFFEE, Vice President, Purchases and Traffic
GERALD F. GAMBER, Vice President, Personnel
JOHN K. MILLER, Vice President, International Operations
HOWARD L. SPINDLER, Vice President, Public Relations
LAURENCE C. WARD, Vice President, Finance

JAMES L. BRIGGS, Treasurer
DAVID A. DE WAHL, Secretary
BENJAMIN F. VAN WORMER, Comptroller
REED D. ANDREW, Assistant Secretary
HARRY W. SIEFERT, Assistant Comptroller
SYDNEY A. WOODD-CAHUSAC, Assistant Treasurer

To our Stockholders:

Earnings for American-Standard in 1961 increased slightly, despite the fact that sales declined. Operations in the United States were responsible for the decline in sales, which was due in part to the sale of the Youngstown Kitchens Division, and in part to general conditions in the markets in which we operate. Our international operations continued at a high level.

Private residential construction and contracts for commercial and industrial buildings did not respond so vigorously in the 1961 upswing as in other post-war recovery periods. However, these markets, both of which are vitally important to American-Standard, did improve somewhat over 1960, and we expect further modest improvement in 1962.

The year brought no general relief to one of the major problems common to all industry: constantly rising wage rates and declining profit margins. Both aspects seem to stem from an inability on the part of all to utilize the self-disciplines necessary to solve the problem. Under these conditions, we have continued to concentrate on reducing costs of goods, on increasing the effectiveness of our selling and administrative expenditures,

and on developing new and improved products. These measures provide only partial relief, and substantial price increases are needed to ensure progress in our industry and an adequate return for stockholders.

Especially important steps taken in 1961 included: (1) sale of a division which was operating at a loss; (2) decision to consolidate certain U. S. manufacturing operations; (3) consolidation of the foundry facilities of the Canadian Company; (4) discontinuance of several unprofitable product lines; and (5) improvement in systems for rapid collection and use of statistical data necessary for management decisions.

The body of the Annual Report contains a statement about the sale of the assets of our Youngstown Kitchens Division. Difficulties in connection with the sale were, in our opinion, aggravated by pressures to complete the sale, by the declining volume of sales resulting from general market conditions, and by the doubts of the Division's customers as to the future of this particular enterprise.

During the year, charges to earned surplus totaling \$6,700,000 (after reduction of income taxes) were made, representing the

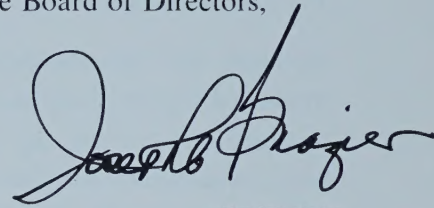
loss resulting from the sale of the Youngstown Kitchens Division and provision for certain estimated losses and expenses in connection with the consolidation decisions mentioned above. The transactions giving rise to these charges are important steps in our program for profit improvement.

I would like to call your attention particularly to the section of this Report titled "Product Development News." This illustrates a number of the new or improved products resulting from our expenditures for research and product development. These, we believe, are just the beginning of a sub-

stantial list of new products which we can expect from these efforts.

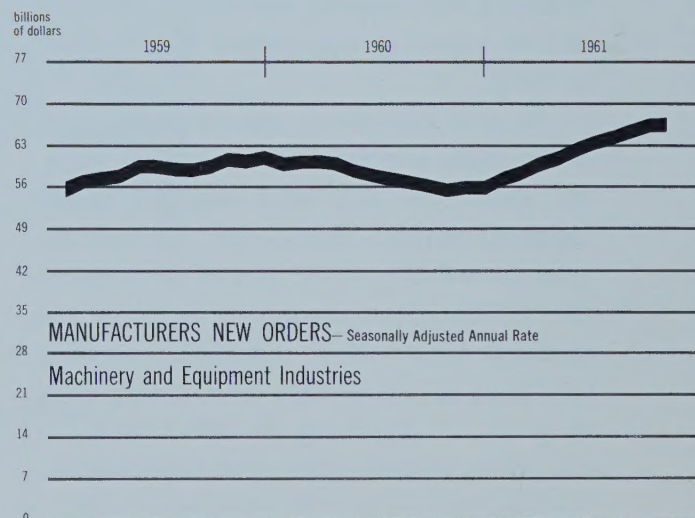
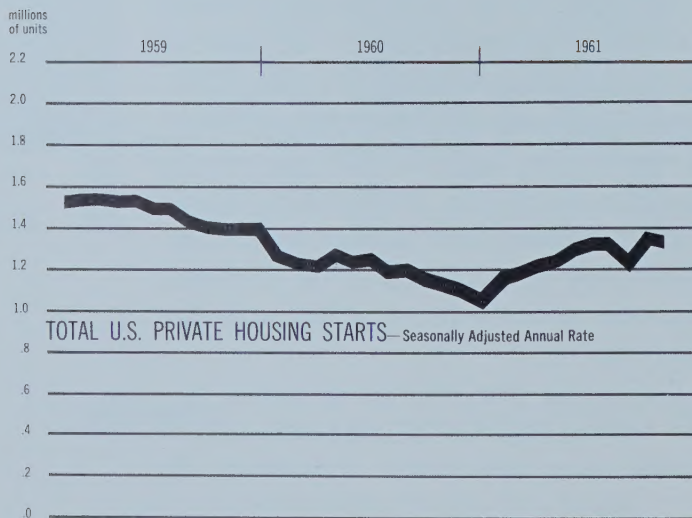
I deeply appreciate the support and assistance received throughout the year from our stockholders, customers and employees.

By order of the Board of Directors,



PRESIDENT

February 15, 1962



review of the year

Sales of American-Standard in 1961 totaled \$468,912,000, down from sales of \$480,236,000 in 1960. Net profit in 1961, however, amounted to \$13,930,000, as compared to \$13,189,000 in 1960.

UNITED STATES OPERATIONS In the United States the year began slowly, and operations were virtually at the break-even level for the first four months of the year. Activity picked up in May, increased for several months and then leveled off.

Sales in the United States during 1961 amounted to \$328,603,000, compared to \$353,356,000 in 1960. A substantial portion of this decrease was caused by the sale of Youngstown Kitchens Division. The remainder of the drop resulted from continuance of the slump through April and from a marketing policy emphasizing profitability with some loss of volume in the face of the severe price competition which continued throughout the year. This policy is under constant examination and is subject to revision if market conditions do not improve.

Despite the drop in sales, domestic profits improved, due to reduced costs and expenses. Increased expenditures for product development were more than offset by reductions in selling expense and cuts in other areas.

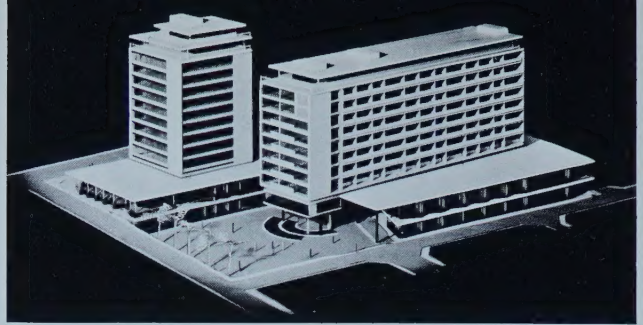
Housing starts, generally considered a barometer of demand for our home products, increased to an estimated 1,354,000 in 1961 from 1,296,000 in 1960. Only a slightly higher level of residential construction activity is expected in 1962, still reflecting the fact that the post-war shortage of single family units has been overcome and that the potential demand resulting from the population surge is not yet effective. In 1961 there was an increase in the percentage of total starts accounted for by apartment houses and shell houses, where the lag between start and the installation of our products is considerably greater than in the case of one-family houses.

Industrial and commercial construction activity and expenditures for plant and equipment, also important markets for American-Standard products, likewise showed a slight improvement during the year, particularly in the later months. In some of our industrial lines where orders are placed many months in advance of delivery dates, the backlog of orders at the close of 1961 was higher than at the same time in the previous year.

Capital expenditures in the United States during 1961 amounted to \$8,235,000. A substantial portion of this amount was devoted to projects designed to improve production efficiency and reduce costs, while the remainder was spent on projects involving new products.

INTERNATIONAL OPERATIONS Operations of American-Standard outside the United States resulted in sales of \$140,309,000, up from the 1960 total of \$126,880,000. Profits from these

Emphasis is being increased on the sale of American-Standard engineered products in export markets. This Beirut, Lebanon, shopping center is air conditioned with some of them.



sales amounted to \$8,176,000, compared to \$8,667,000 in 1960.

In Europe, where most of our international operations are concentrated, the post-war housing shortage has not yet been met, the volume of commercial construction is heavy, and modernization activity is brisk. As a result, our business continues at high levels. Both sales and earnings were affected by full employment which did not permit us to get and keep sufficient satisfactory labor to operate our plants at capacity.

Profit margins in Europe narrowed a little in 1961. Under the price controls which still exist in some countries, there is a substantial lag in the ability to recover increased costs of wages and materials through higher prices. The inevitably high rate of labor turnover in full-employment economies and some spasmodic work stoppages in two countries had their effect on production efficiency. Increased taxes in England and Italy also affected net earnings.

The European Common Market has already benefited our operations in the countries involved, and the expected entry of the United Kingdom and other European countries into the organization should have a generally favorable effect for us. Although regional tastes and product preferences will undoubtedly continue to be important market factors for some time, the lowering of official trade barriers opens the way to increased manufacturing and marketing flexibility. The growing industrial activity in the area is also stimulating demand for industrial products of the type we make, and our activity in this field in Europe is increasing.

In Canada, operations resulted in a small profit and prospects are for improved results in 1962.

Capital expenditures of \$6,172,000 were made in Europe and Canada during the year to modernize existing facilities and install cost reduction equipment.

Operations of the Brazilian company improved in 1961, and prospects are for this trend to continue in 1962.

During 1961 an extensive survey of Latin America and the Far East was made to study the feasibility of establishing manufacturing operations in countries where borders are being closed to imports. Export sales in 1961 were about the same as in 1960. We are increasing our emphasis on the sale of industrial and engineered products to offset a decline in sales of home products because of restrictions on imports in a growing number of countries. Licensing agreements for specific products were made during the year with manufacturers in Mexico, England, and Argentina.

YOUNGSTOWN KITCHENS DIVISION On November 15, 1961 we completed the sale of our Youngstown Kitchens Division. The sale was made in compliance with the final judgment, entered September 20, 1960, concluding the anti-trust suit brought by the Department of

Justice in 1956 opposing our merger with Mullins Manufacturing Corporation.

The sale of the assets of this Division has the effect of reducing our sales volume, but the immediate effect on earnings should be favorable because the Youngstown Kitchens Division was operating at a loss. Our loss on the sale amounting to \$3,600,000, after giving effect to applicable reduction of income taxes, has been charged to earned surplus.

Certain assets acquired in the merger with Mullins Manufacturing Corporation were not required to be disposed of by the consent judgment. Among these assets are two plants in Cincinnati, Ohio, where, now, we conduct a sizable part of our plumbing brass manufacture and make our food waste disposers.

CONSOLIDATION OF FACILITIES As indicated in the President's letter, several important actions were taken in 1961 to improve profits through consolidation of manufacturing facilities. These actions were taken to reduce overhead and improve operating efficiencies. They will result in increased facility utilization and, at the same time, adequate capacity for the future will be maintained.

Heat exchanger manufacture carried on at two plants was consolidated into one, and the manufacture and sale of certain unprofitable product items were discontinued. Foundry operations of the Canadian Company were eliminated at one location and combined with those at another. An additional benefit was realized in the form of space required for warehousing. A decision was also made to bring together some operations relating to hydronics and some involving plastics and other molded products.

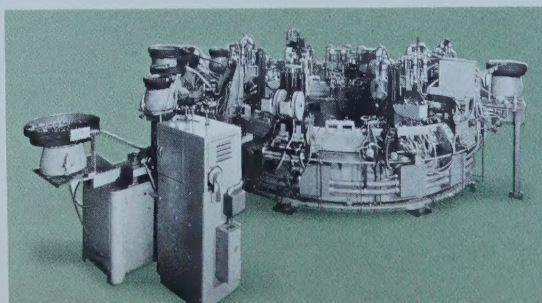
Costs and expenses resulting from these steps, and anticipated losses on disposal of discontinued facilities, are estimated at \$3,100,000, after reduction in income taxes. They have been provided for by a charge to earned surplus.

RESEARCH AND DEVELOPMENT The major objectives of our research activities are to discover ways of reducing the cost and improving the performance of existing products, to devise better ways of performing the same functions as our present products, to develop new product lines, and to develop new processes to reduce production costs. Some of the important accomplishments in the year 1961 are illustrated in the "Product Development News" section of this report.

The Advanced Technology Laboratories Division, which is concerned primarily with research and development in the fields of atomic energy and space technology, produced an improved horizon scanner, an essential element for the proper orientation of satellites. A new product of potential industry interest is the profile monitor, which can display visually at one location the temperatures of a large number of different critical spots in a chemical plant or power plant.

The corporate research laboratory developed, under contract with the Army, an opera-

Improved production efficiency and lower costs are provided by this new piece of equipment which automatically assembles and tests valves.



tional air conditioning unit using the thermo-electric principle, a development which may have some future commercial application.

EMPLOYEE RELATIONS Skillful management of employee relations is of increasing importance in improving efficiencies and reducing costs. This is particularly true in the United States and Canada, where complicated laws and provisions of our 103 separate union agreements regulate in detail the day-to-day relationships between employer and employee. Under such conditions, practices which become obsolete and uneconomic are difficult to revise or eliminate. In the 90 contract negotiations begun in 1961, our efforts to improve efficiency through revised work practices were stressed, and gains were made.

In Europe, government decrees requiring cost-of-living or other payments and the use of strikes for political purposes are complications of union relations not encountered in the U. S.

In all parts of the world, however, it is the policy of American-Standard to provide, consistent with our means, wages, salaries, and a program of benefits comparable to those of other progressive industrial organizations operating in the same geographical areas; to establish sound relationships with unions representing our employees, recognizing that collective bargaining is an established fact of industrial life; and also to retain management's right to take actions which improve our competitive position.

MANAGEMENT Courtney C. Brown, Dean of Graduate School of Business of Columbia University, whose able counsel was available as a Director from May 1, 1957, resigned October 1, 1961, because of the necessity to curtail time spent on activities not closely related to the activities of the University and the Business School.

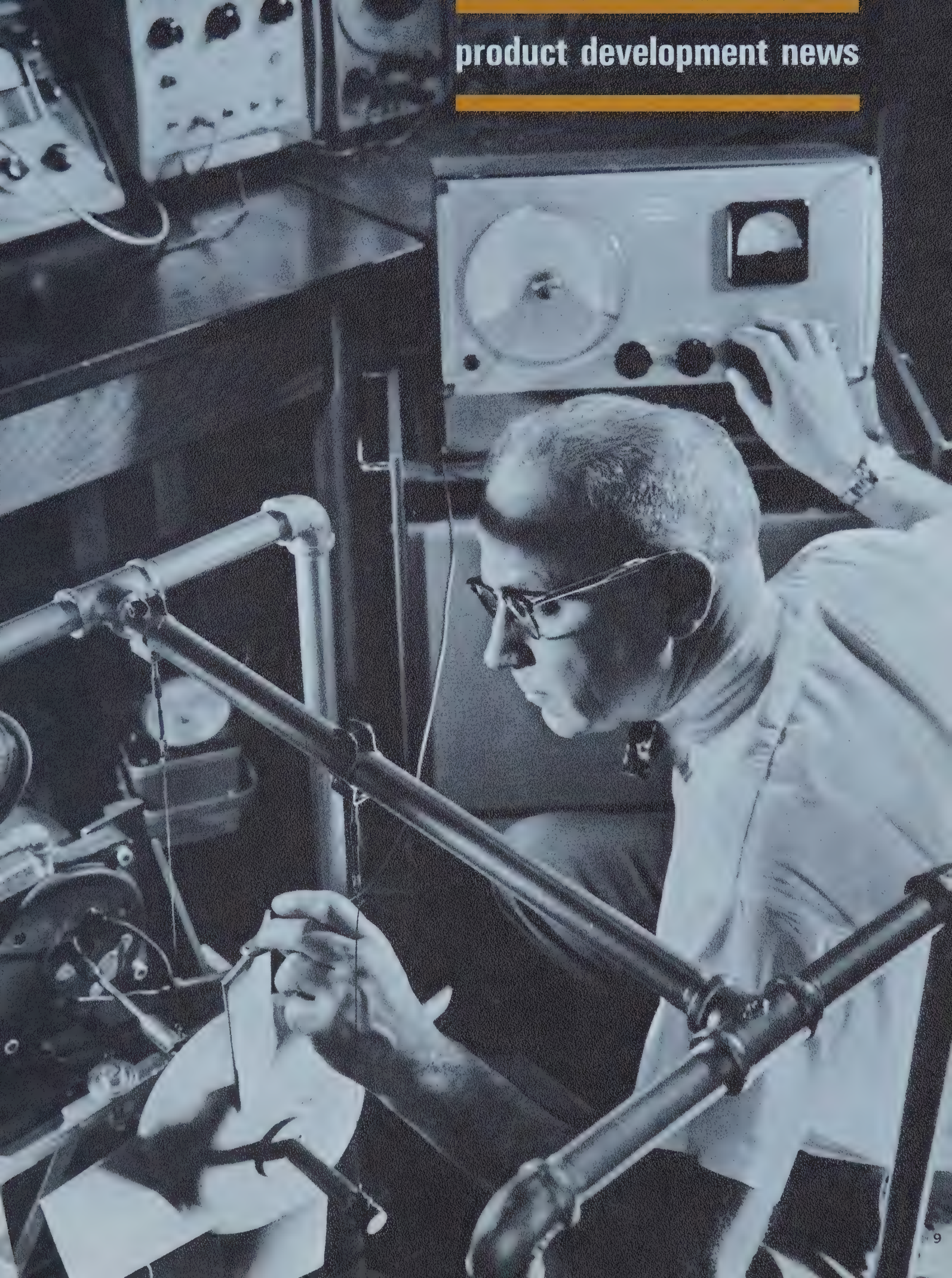
E. Newton Cutler, Jr., Senior Vice President of the First National City Bank of New York, and John C. Griswold, Executive Vice President and Director of W. R. Grace & Company, were elected to the Board of Directors on October 5, 1961, and February 1, 1962, respectively.

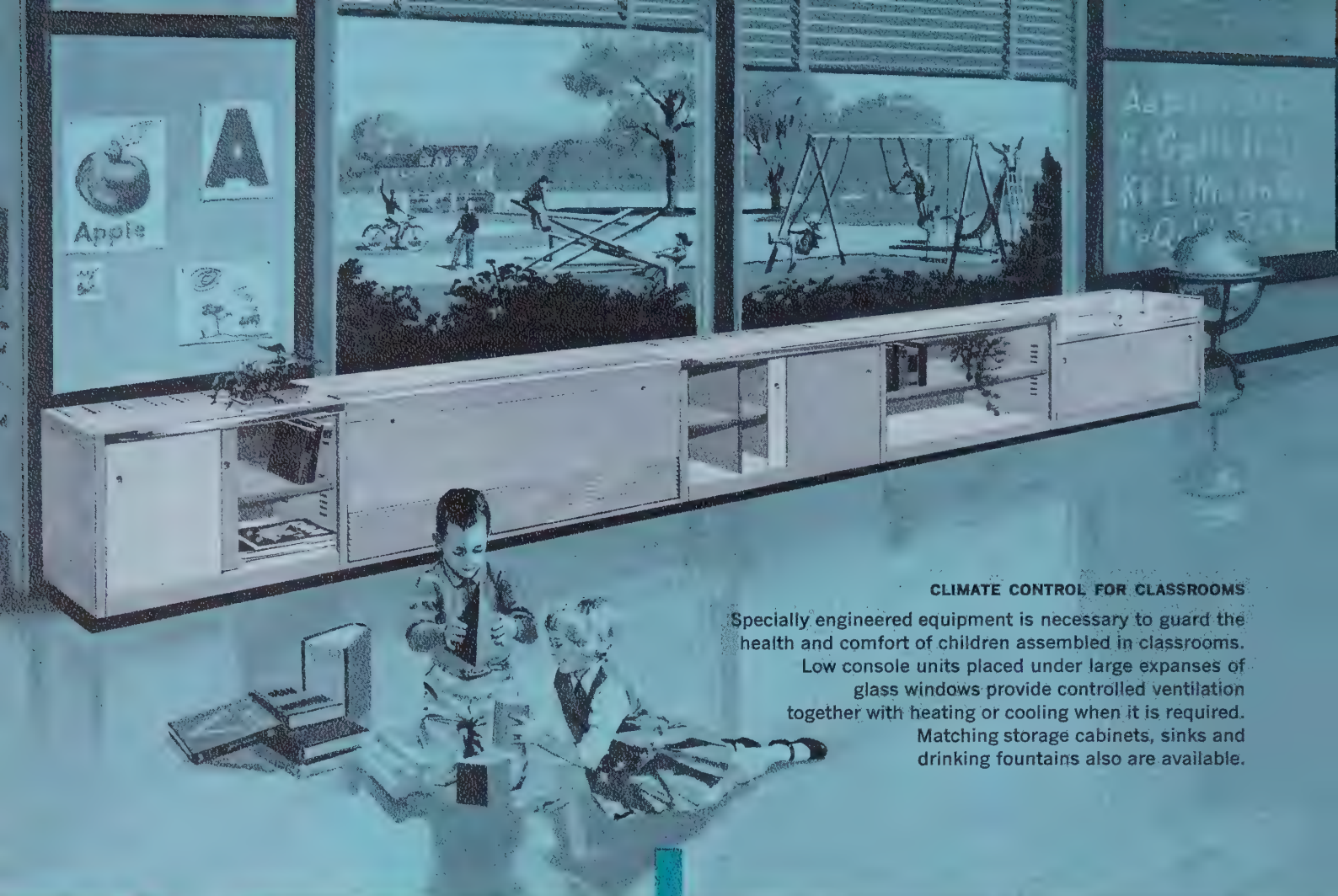
Paul M. Augenstein joined our organization as Executive Vice President on May 15, 1961; and on January 11, 1962, William C. Cawthon was elected Vice President, Manufacturing, and William H. Chaffee, Vice President, Purchases and Traffic.

During the year Wells A. Gardner was appointed President of C. F. Church Division; Heinrich Jindra, Managing Director of Ideal-Standard, Austria; and Giam Battista Zanchi, Managing Director, Ideal-Standard, Italy.

Retirements during the year included: William A. Bauer, Group Vice President; Donald D. Couch, Group Vice President; Rudolph Götz, Managing Director of the Austrian Company; and Luigi Milani, Managing Director of the Italian Company.

Filipp J. Kreissl resigned as President of the Controls Division effective January 30, 1962.



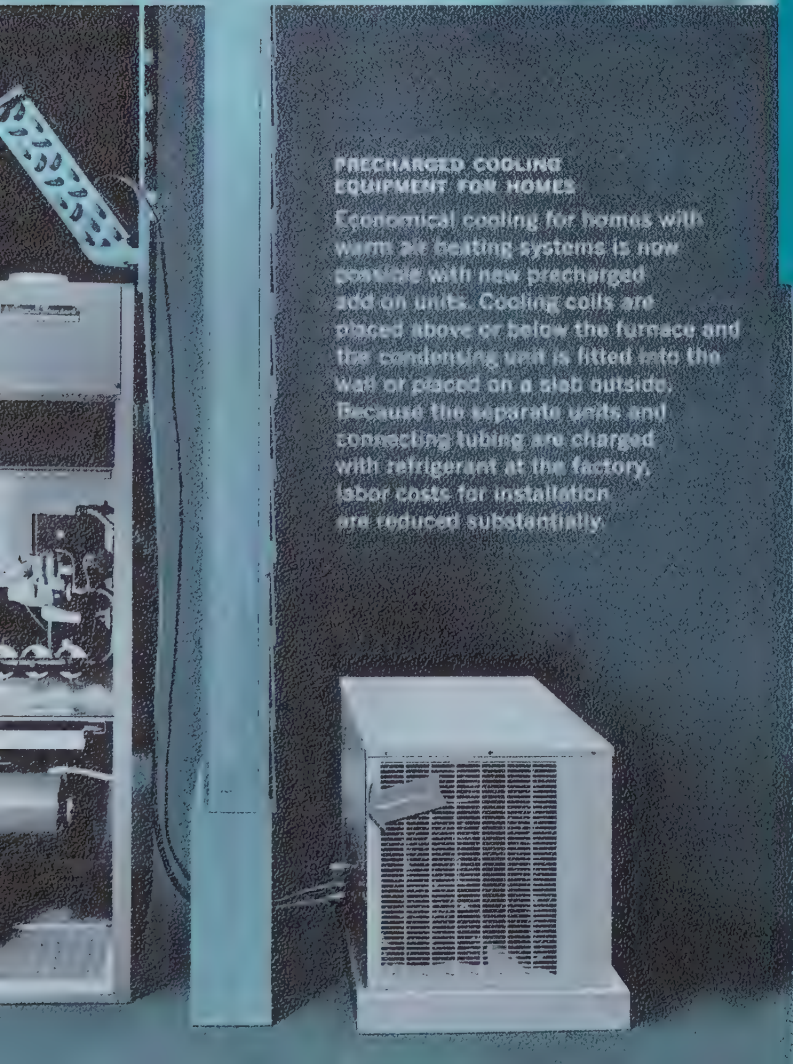


CLIMATE CONTROL FOR CLASSROOMS

Specially engineered equipment is necessary to guard the health and comfort of children assembled in classrooms.

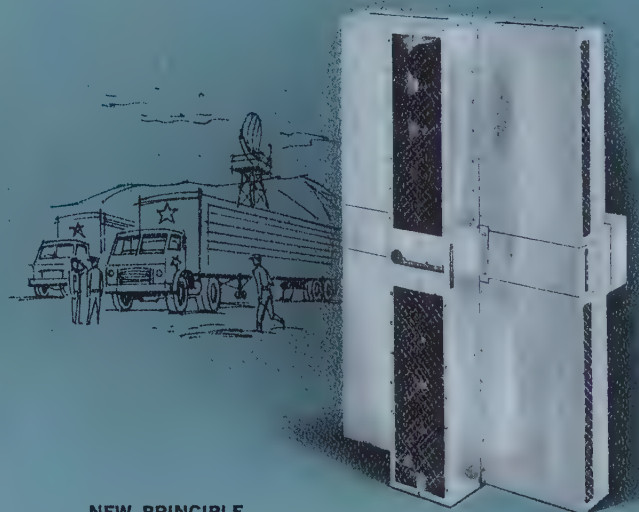
Low console units placed under large expanses of glass windows provide controlled ventilation together with heating or cooling when it is required.

Matching storage cabinets, sinks and drinking fountains also are available.



PRECHARGED COOLING EQUIPMENT FOR HOMES

Economical cooling for homes with warm air heating systems is now possible with new precharged add on units. Cooling coils are placed above or below the furnace and the condensing unit is fitted into the wall or placed on a slab outside. Because the separate units and connecting tubing are charged with refrigerant at the factory, labor costs for installation are reduced substantially.



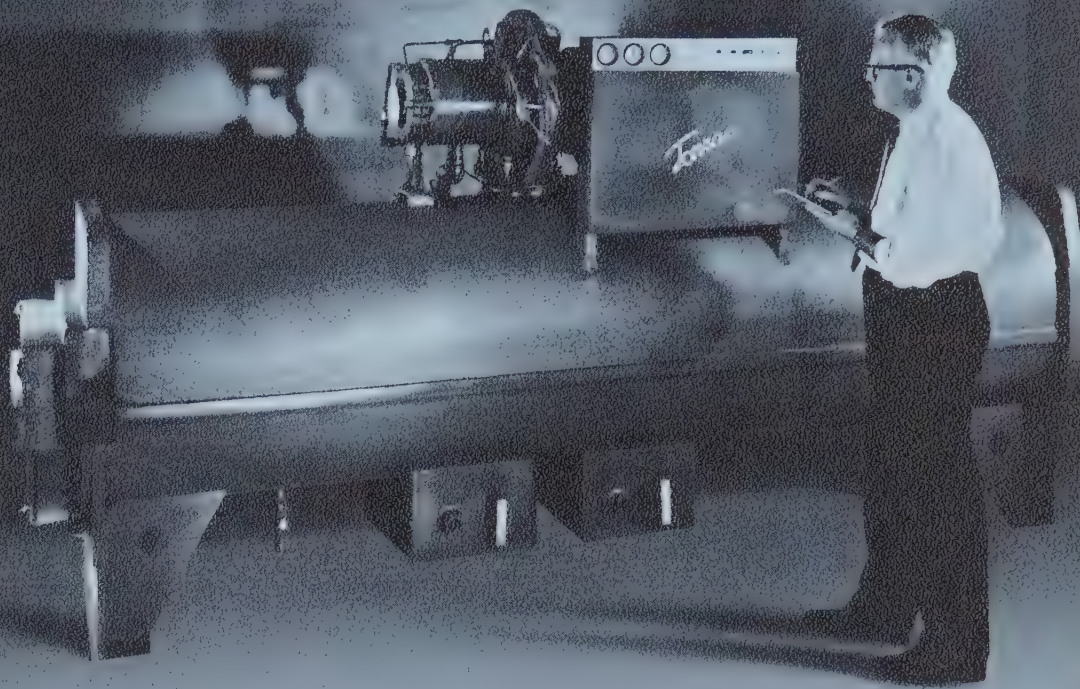
NEW PRINCIPLE IN AIR CONDITIONING

The thermoelectric principle—heating and cooling obtained by the passage of direct current through metallic compounds—is employed in a unit developed by American-Standard for the cooling of Army missile control vans. Though not considered commercially feasible now, this could be the forerunner of the heating-cooling devices of tomorrow.

air conditioning

PACKAGED CENTRIFUGAL REFRIGERATION EQUIPMENT

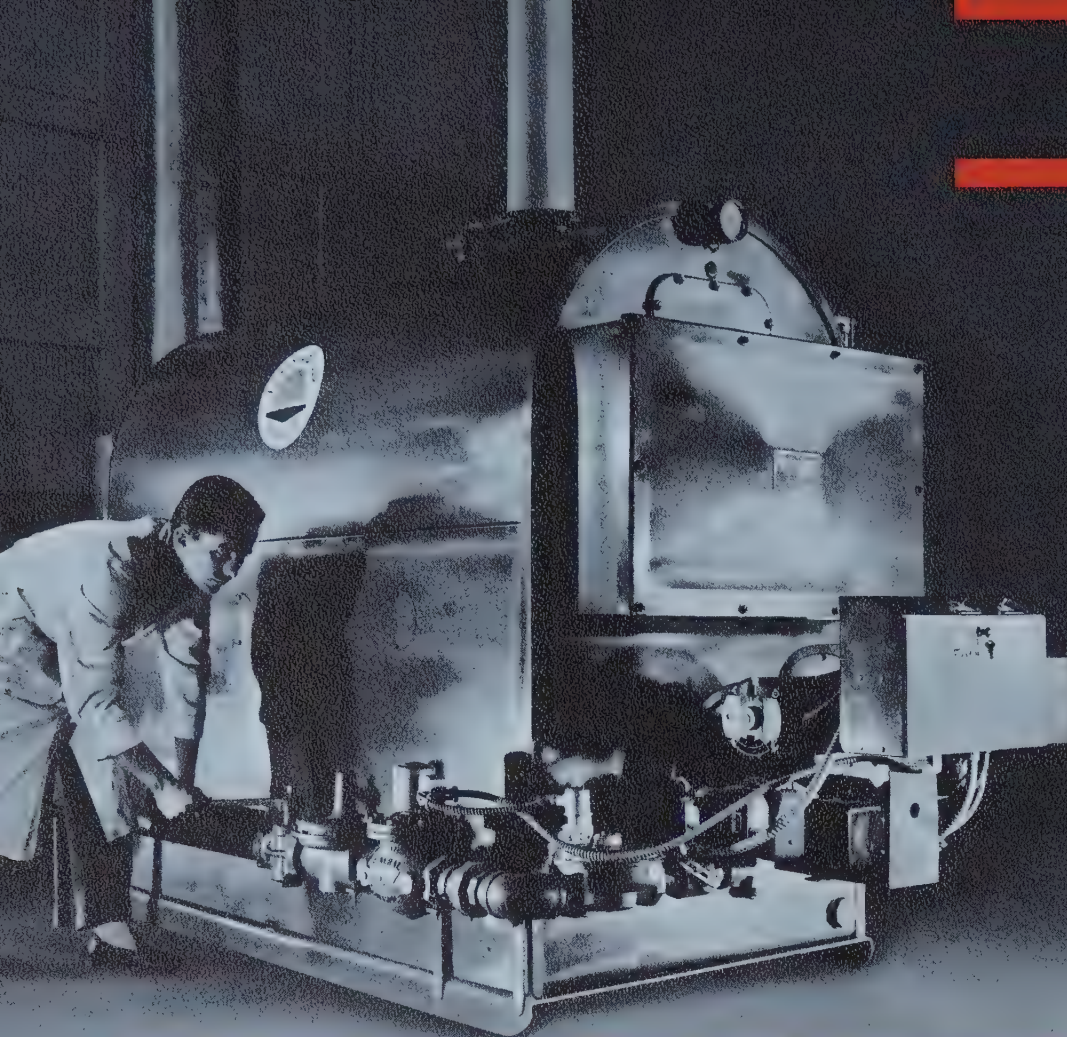
This unit provides the cooling portion of central air conditioning for commercial and industrial building, and the cooling for tough industrial process applications. Its compactness and its shipment in completely assembled and insulated form represents an engineering advance that cuts air conditioning costs.



PROVIDING CHILLED WATER FOR AIR CONDITIONING

Central air conditioning systems for small to medium-size structures need an economical, versatile source of chilled water for the cooling cycle. The American-Standard chiller pictured here was developed to provide reliable, efficient, low-cost service in a variety of installations.

heating



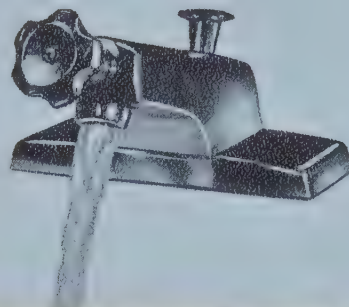
BIG HEAT FROM SMALL SPACE

The compactness and efficiency of this new steam generator saves space and money in the schools, hospitals, apartments and other medium-size buildings which use it. It offers more energy per square foot of occupied space than any comparable unit.

NEW ELECTRIC FURNACE FOR HOME HEATING

Central heating with electricity is a reality, and is becoming increasingly popular. The new American-Standard electric furnace fits into a warm air heating system just like any other furnace, except it uses electricity instead of gas, oil or coal as the heating fuel.



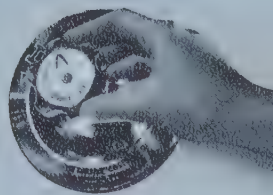


NEW BEAUTY FOR BATHROOM FIXTURES

This new popular-priced toilet comes in a design that is practical for cleaning yet pleasingly modern. It is made of vitreous china, the unmatched material for sanitary ware.

NEW CONVENIENCE IN BATHROOM FAUCETS

Pull and water flows; push and it stops. Turn left for hot, right for cold, in-between for medium. These new washerless Push-Pull faucets are available in both lavatory and shower-bath models.



A large, complex industrial condenser unit is shown in a factory setting. The unit features a large spherical vessel at the top, connected to a network of pipes, valves, and structural supports. The background shows the interior of a large industrial building with a high ceiling and structural beams.

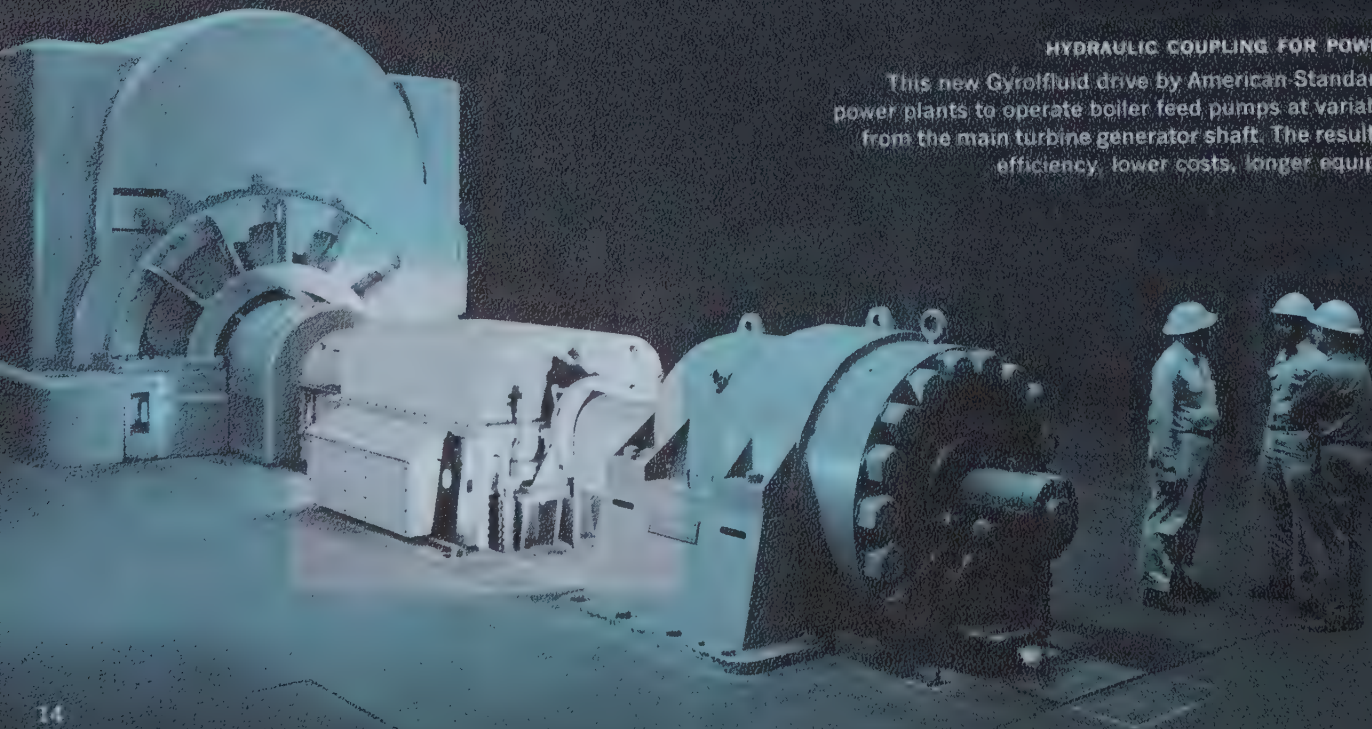
industrial equipment

NEW VERSATILITY IN SURFACE CONDENSERS

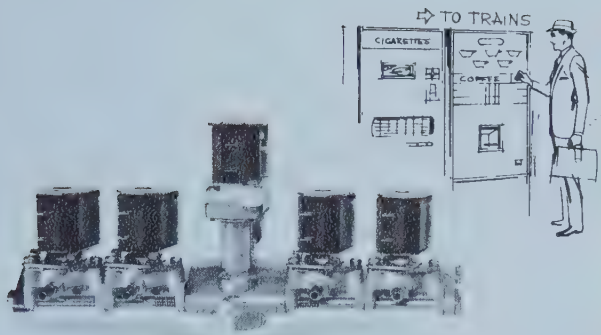
Condensing steam into water after it has served its original purpose is an important function in many industries. Building units for specific needs from pre-engineered standard parts is a major American Standard contribution to greater versatility and lower costs.

HYDRAULIC COUPLING FOR POWER PLANTS

This new Gyrofluid drive by American Standard enables power plants to operate boiler feed pumps at variable speeds from the main turbine generator shaft. The result is greater efficiency, lower costs, longer equipment life.

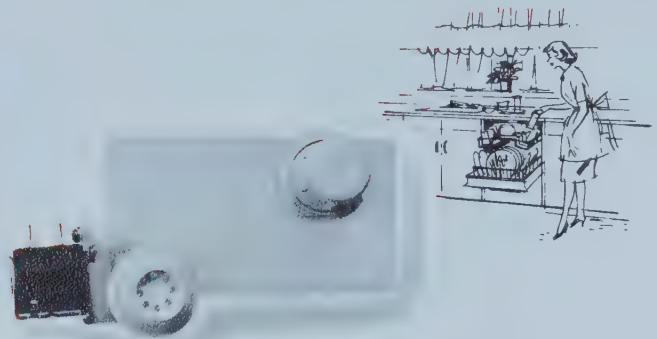


controls



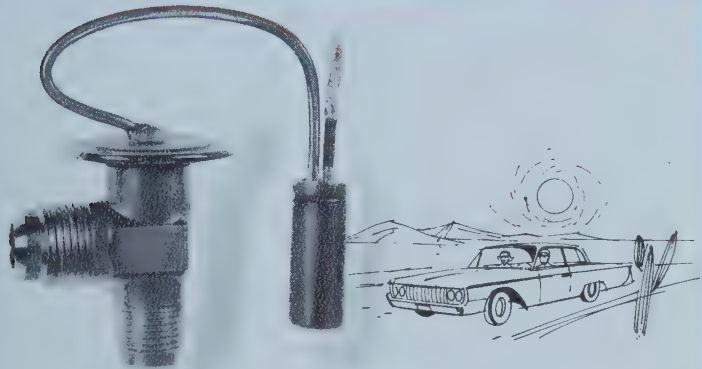
VALVE FOR BEVERAGE VENDERS

For vending machines that mix a number of different hot drinks with a central hot water supply, this valve provides the quick, fool-proof operation customer satisfaction demands.



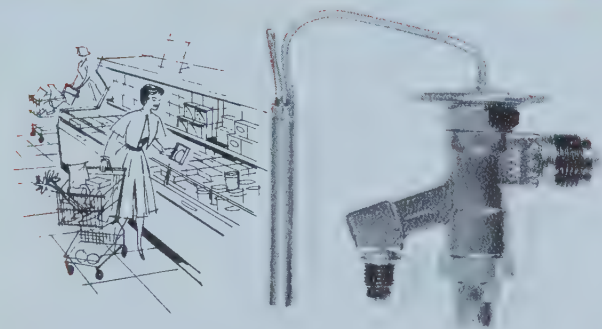
ADDING RINSING COMPOUND IN DISHWASHERS

A rinse compound introduced into the washer at just the right part of the washing cycle produces dishes that dry sparkling clean without water spots. This dispenser device does the job automatically.



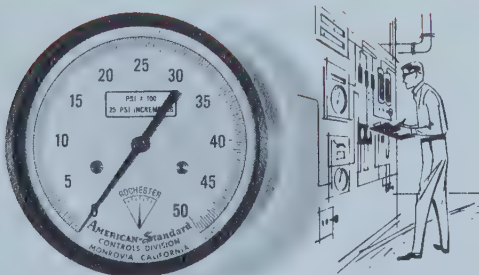
AIR CONDITIONING FOR AUTOS

In the crowded engine compartments of modern autos, equipment size is a vital factor. This miniature expansion valve does a full-size job in a car's air conditioning system.



VALVE FOR COMMERCIAL REFRIGERATION

Frozen food cases, reach-in cabinets and similar refrigeration equipment must have components that work perfectly and keep working. This expansion valve meets the need completely.



MEASURING PRESSURE WITH ACCURACY

Whether the pneumatic or hydraulic service utilizes pressure at 100 pounds or 10,000 pounds, this high pressure gauge measures it accurately.

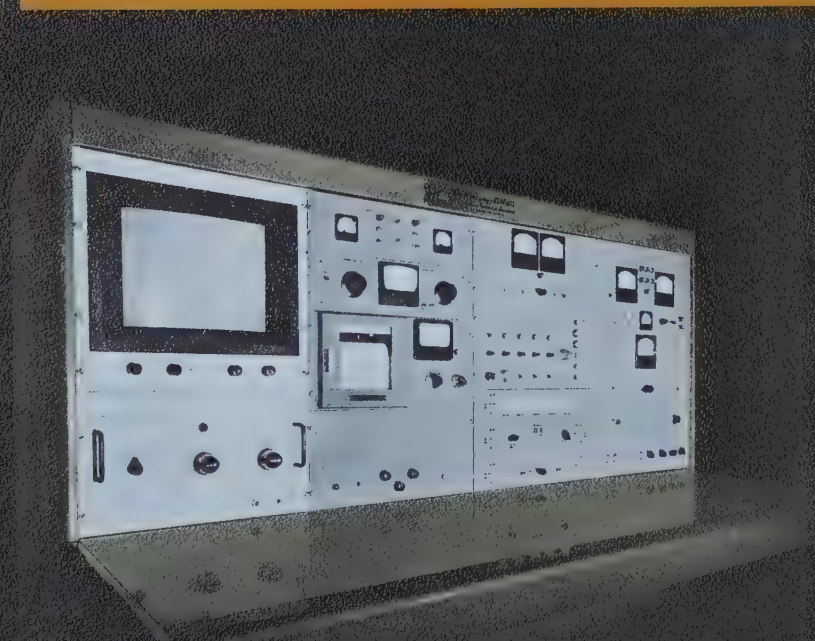
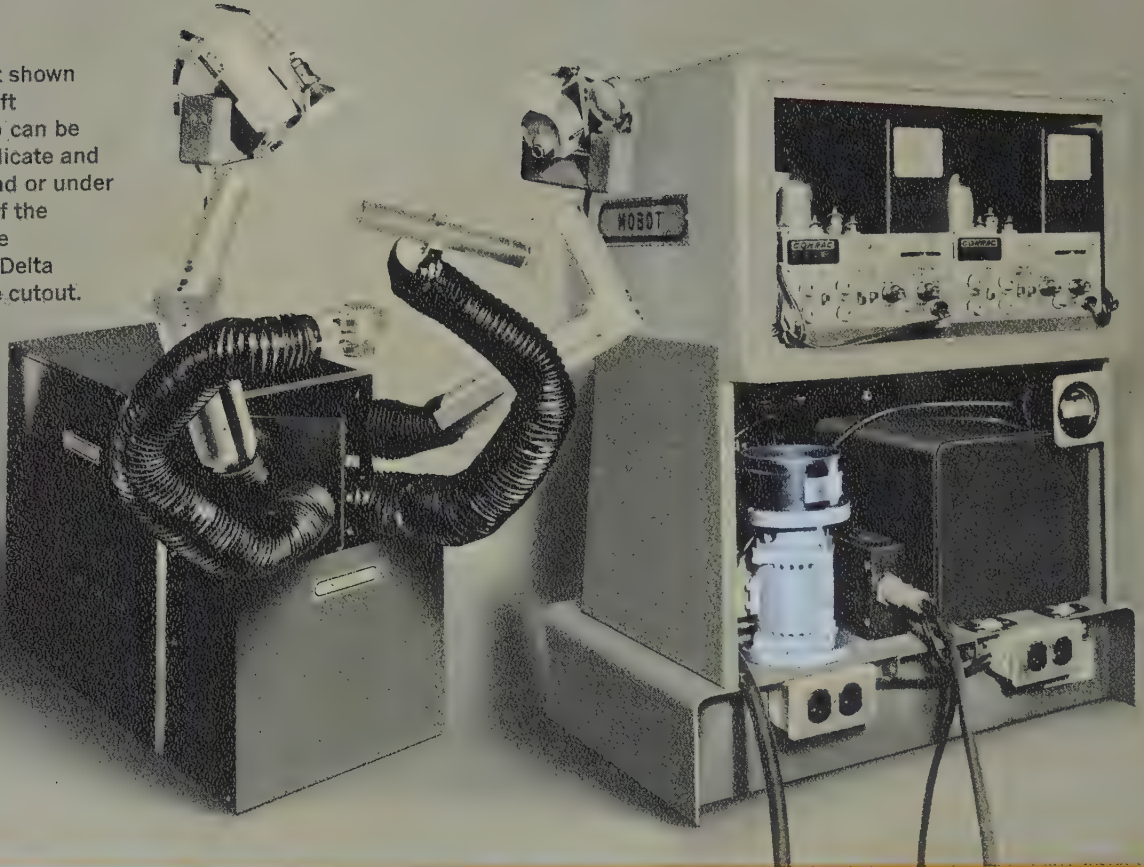


CONTROL FOR HOME AIR CONDITIONING

This thermostat controls both the heating and cooling cycles of the central air conditioning system—and provides an appearance that makes it welcome in any room in the home.

CONTROLLING AN AUTOMATIC ROBOT

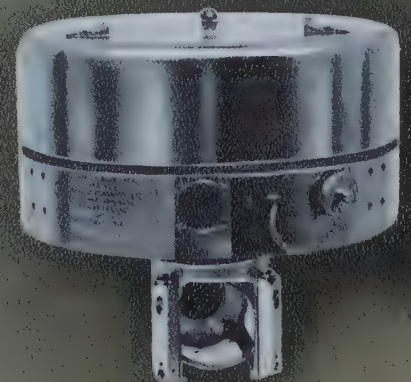
The automatic robot shown here (Hughes Aircraft Company's MOBOT) can be made to perform delicate and difficult tasks on land or under the sea. The heart of the control system is the American-Standard Delta switch, shown in the cutout.



48 MEASUREMENTS AT ONCE

An accurate visual bar graph display of up to 48 different measurements is provided by the American Standard Profile Monitor. Shown here on a nuclear reactor control panel, the Monitor is applicable to many commercial processes.

ATTITUDE CONTROL FOR SATELLITES
Out in space there is no "up" or "down", but satellites must be kept in proper flight attitude to function as desired. The American Standard Horizon Scanner has performed this job for the Discoverer and other satellites.



financial section

SALES Net sales in 1961 totaled \$468,912,193 compared to \$480,235,706 in 1960. Sales of the U. S. Company and foreign subsidiaries were as follows:

| | 1961 | 1960 |
|----------------------|----------------------|----------------------|
| U. S. Company.. | \$328,602,851 | \$353,356,320 |
| Foreign subsidiaries | 140,309,342 | 126,879,386 |
| | <u>\$468,912,193</u> | <u>\$480,235,706</u> |

Sales by quarters for 1961 and 1960 were:

| Quarter | 1961 | 1960 |
|--------------|---------------|---------------|
| First | \$107,214,000 | \$113,267,000 |
| Second | 120,054,000 | 122,005,000 |
| Third | 124,022,000 | 127,361,000 |
| Fourth | 117,622,000 | 117,603,000 |

EARNINGS Net income amounted to \$13,930,156, or \$1.19 per common share, as compared with \$13,189,119 for 1960, or \$1.10 per common share. Earnings of the U.S. Company and foreign subsidiaries were as follows:

| | 1961 | 1960 |
|----------------------|---------------------|---------------------|
| U. S. Company.. | \$ 5,754,175 | \$ 4,521,585 |
| Foreign subsidiaries | 8,175,981 | 8,667,534 |
| | <u>\$13,930,156</u> | <u>\$13,189,119</u> |

Dividends received in the United States from foreign subsidiaries, not included in the earnings of the U. S. Company above, amounted to \$4,956,767 in 1961 and \$5,328,862 in 1960, after withholding taxes of \$660,692 and \$614,939, respectively.

DIVIDENDS Dividend payments on common stock in 1961, at the rate of \$.80 per share,

totaled \$9,246,043. In 1960 dividend payments on common stock were \$9,347,309, also at the rate of \$.80 per share. In both years dividends of \$307,048 were paid to holders of preferred stock.

WORKING CAPITAL Working capital at the year end amounted to \$162,922,601, a decrease of \$1,585,848 over 1960. A comparative summary of working capital at December 31 is shown below:

| | 1961 | 1960 |
|----------------------|----------------------|----------------------|
| Cash | \$ 28,690,168 | \$ 30,084,497 |
| Securities | 21,375,054 | 15,702,156 |
| Accounts receivable | 57,481,349 | 58,955,532 |
| Inventories | 113,594,650 | 116,888,321 |
| Prepaid expenses. | 1,693,243 | 1,819,272 |
| Current assets ... | <u>222,834,464</u> | <u>223,449,778</u> |
| Current liabilities. | 59,911,863 | 58,941,329 |
| Working capital . | <u>\$162,922,601</u> | <u>\$164,508,449</u> |

Principal changes in working capital in 1961 are accounted for as follows:

Additions:

| | |
|---|-------------------|
| Net income | \$13,930,156 |
| Depreciation and disposal of property | 16,056,102 |
| Other items | 887,553 |
| | <u>30,873,811</u> |

Deductions:

| | |
|---|-------------------|
| Capital expenditures | 14,407,134 |
| Dividends paid | 9,553,091 |
| Investment in Brazilian subsidiary | 250,000 |
| Decrease in non-current notes payable | 5,674,760 |
| Acquisition of treasury stock.... | 2,574,674 |
| | <u>32,459,659</u> |

Decrease

\$ 1,585,848.

INVENTORIES A comparative summary as of December 31 follows:

| | 1961 | 1960 |
|-------------------|----------------------|----------------------|
| Finished goods .. | \$ 62,770,204 | \$ 65,240,184 |
| Work in process.. | 20,750,944 | 19,863,639 |
| Raw materials ... | 21,688,108 | 23,009,083 |
| Supplies | 8,385,394 | 8,775,415 |
| | <u>\$113,594,650</u> | <u>\$116,888,321</u> |

PROPERTY, PLANT AND EQUIPMENT In 1961 American-Standard spent \$8,234,954 in the United States and \$6,172,180 in Canada and Europe for additions to, and improvements of, production and distribution facilities, bringing the total for the last five years to \$61,100,000 in the United States and \$34,400,000 in Canada and Europe. Following is a comparative

summary of property as of December 31:

| | 1961 | 1960 |
|--|----------------------|----------------------|
| Land | \$ 9,839,499 | \$ 9,687,182 |
| Buildings | 102,359,587 | 110,077,783 |
| Machinery and equipment | 169,329,123 | 174,002,739 |
| Improvements in progress | 6,171,811 | 5,700,087 |
| | <u>287,700,020</u> | <u>299,467,791</u> |
| Less accumulated depreciation and provision for loss on disposal ... | 154,078,720 | 154,628,775 |
| | <u>\$133,621,300</u> | <u>\$144,839,016</u> |

TREASURY STOCK During the year the Company continued to purchase in the open market shares of its common stock for possible future acquisitions and other business purposes.

At December 31, 1961, 233,435 shares acquired at an average cost of \$14.49 per share were held in the treasury; 174,036 shares were acquired in 1961.

auditors' report

Stockholders and the Board of Directors,
American Radiator & Standard Sanitary Corporation

We have examined the accompanying consolidated balance sheet of American Radiator & Standard Sanitary Corporation and subsidiaries at December 31, 1961 and the related consolidated statements of income and earned surplus for the year then ended. Of the foreign subsidiaries included therein, we examined the financial statements of the subsidiaries in Canada, France and Germany and accepted reports on examinations made by independent public accountants for the other foreign subsidiaries. All these examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of American Radiator & Standard Sanitary Corporation and subsidiaries at December 31, 1961 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N.Y.
February 15, 1962



consolidated statement of income

| | YEAR ENDED DECEMBER 31 | |
|---|-----------------------------|-----------------------------|
| | 1961 | 1960 |
| Net sales | \$468,912,193 | \$480,235,706 |
| Cost of goods sold..... | <u>380,179,091</u> | <u>389,124,890</u> |
| Gross profit | 88,733,102 | 91,110,816 |
| Selling and administrative expense..... | <u>61,189,043</u> | <u>65,832,830</u> |
| | 27,544,059 | 25,277,986 |
| Interest expense, net..... | <u>113,903</u> | <u>88,867</u> |
| | 27,430,156 | 25,189,119 |
| Taxes on income..... | <u>13,500,000</u> | <u>12,000,000</u> |
| Net income | <u><u>\$ 13,930,156</u></u> | <u><u>\$ 13,189,119</u></u> |

Provision for depreciation included above: 1961, \$15,364,761; 1960, \$15,010,176

consolidated statement of earned surplus

| | YEAR ENDED DECEMBER 31 | |
|--|-----------------------------|-----------------------------|
| | 1961 | 1960 |
| Balance January 1..... | \$160,267,688 | \$156,732,926 |
| Net income | <u>13,930,156</u> | <u>13,189,119</u> |
| | 174,197,844 | 169,922,045 |
| Less: | | |
| Loss on sale of assets of Youngstown Kitchens Division, less estimated reduction in income taxes (Note 3) | 3,600,000 | — |
| Provision for estimated losses and expenses resulting from consolidation of plant facilities, less estimated reduction in income taxes | <u>3,100,000</u> | <u>—</u> |
| | 6,700,000 | — |
| Dividends paid: | | |
| Preferred | 307,048 | 307,048 |
| Common | <u>9,246,043</u> | <u>9,347,309</u> |
| | 9,553,091 | 9,654,357 |
| Balance December 31 (Note 4) | <u><u>\$157,944,753</u></u> | <u><u>\$160,267,688</u></u> |

Reference is made to accompanying notes on page 24

consolidated balance sheet

assets

| | AT DECEMBER 31 1961 | AT DECEMBER 31 1960 |
|---|-----------------------------|-----------------------------|
| Cash | \$ 28,690,168 | \$ 30,084,497 |
| U. S. Government securities, at cost..... | 4,942,549 | 4,446,101 |
| Other marketable securities, at cost..... | 16,432,505 | 11,256,055 |
| Accounts receivable, less allowances for losses (1961, \$2,555,367; 1960, \$2,800,283)..... | 57,481,349 | 58,955,532 |
| Inventories (Note 2) | 113,594,650 | 116,888,321 |
| Prepaid expenses | <u>1,693,243</u> | <u>1,819,272</u> |
| Total current assets | 222,834,464 | 223,449,778 |
| Investment in Brazilian subsidiary, at cost..... | 2,572,217 | 2,322,217 |
| Sundry investments and deferred items..... | 7,745,103 | 3,993,591 |
| Property, plant and equipment, at cost less accu- mulated depreciation and provision for losses on disposal (1961, \$154,078,720; 1960, \$154,628,775) | <u>133,621,300</u> | <u>144,839,016</u> |
| | <u><u>\$366,773,084</u></u> | <u><u>\$374,604,602</u></u> |



liabilities

| | AT DECEMBER 31 1961 | AT DECEMBER 31 1960 |
|--|------------------------|------------------------|
| Notes payable due in one year. | \$ 5,674,760 | \$ 4,748,756 |
| Accounts payable and accrued liabilities. | 40,623,509 | 39,857,634 |
| Taxes on income. | 13,613,594 | 14,334,939 |
| Total current liabilities. | 59,911,863 | 58,941,329 |
| Notes payable, less current portion (Note 4) | 9,723,960 | 15,398,720 |
| Reserve for estimated expenses resulting from consolidation of plant facilities. | 1,429,291 | — |
| Minority interests in foreign subsidiaries. | 3,845,636 | 3,845,209 |
| Reserve for foreign operations. | 15,236,799 | 14,896,200 |

capital stock and surplus

| | | |
|---|----------------------|----------------------|
| Preferred stock—7% cumulative; \$100 par value, redemption price and preference on liquida- tion \$175 per share; authorized and out- standing 43,864 shares. | 4,386,400 | 4,386,400 |
| Common stock—\$5 par value; authorized 15,000,000 shares; issued 11,709,936 shares | 58,549,680 | 58,549,680 |
| Capital surplus | 59,128,112 | 59,128,112 |
| Earned surplus (Note 4) | 157,944,753 | 160,267,688 |
| | 280,008,945 | 282,331,880 |
| Common stock held in treasury, at cost (1961, 233,435 shares; 1960, 61,899 shares) | 3,383,410 | 808,736 |
| | 276,625,535 | 281,523,144 |
| | <u>\$366,773,084</u> | <u>\$374,604,602</u> |

Reference is made to accompanying notes on page 24

STATISTICAL SUMMARIES

DOLLAR AMOUNTS IN THOUSANDS

statement of income

| | CONSOLIDATED | | U. S. COMPANY | | FOREIGN SUBSIDIARIES | |
|--|------------------|------------------|-----------------|-----------------|----------------------|-----------------|
| | 1961 | 1960 | 1961 | 1960 | 1961 | 1960 |
| Net sales | \$468,912 | \$480,236 | \$328,603 | \$353,356 | \$140,309 | \$126,880 |
| Cost of goods sold..... | 380,179 | 389,125 | 272,655 | 293,030 | 107,524 | 96,095 |
| Gross profit | 88,733 | 91,111 | 55,948 | 60,326 | 32,785 | 30,785 |
| Selling and administrative expense.... | 61,189 | 65,833 | 44,120 | 50,676 | 17,069 | 15,157 |
| | 27,544 | 25,278 | 11,828 | 9,650 | 15,716 | 15,628 |
| Interest expense, net..... | 114 | 89 | 280 | 299 | (166) | (210) |
| | 27,430 | 25,189 | 11,548 | 9,351 | 15,882 | 15,838 |
| Taxes on income..... | 13,500 | 12,000 | 5,794 | 4,829 | 7,706 | 7,171 |
| Net Income | <u>\$ 13,930</u> | <u>\$ 13,189</u> | <u>\$ 5,754</u> | <u>\$ 4,522</u> | <u>\$ 8,176</u> | <u>\$ 8,667</u> |

balance sheet

| | CONSOLIDATED | | U. S. COMPANY | | FOREIGN SUBSIDIARIES | |
|---|------------------|------------------|------------------|------------------|----------------------|------------------|
| | 1961 | 1960 | 1961 | 1960 | 1961 | 1960 |
| Assets | | | | | | |
| Cash and marketable securities..... | \$ 50,065 | \$ 45,787 | \$ 36,341 | \$ 32,372 | \$ 13,724 | \$ 13,415 |
| Accounts receivable, net..... | 57,482 | 58,956 | 35,396 | 38,904 | 22,086 | 20,052 |
| Inventories | 113,595 | 116,888 | 80,961 | 87,596 | 32,634 | 29,292 |
| Prepaid expenses | 1,693 | 1,819 | 1,356 | 1,226 | 337 | 593 |
| Total current assets..... | 222,835 | 223,450 | 154,054 | 160,098 | 68,781 | 63,352 |
| Investment in Brazilian subsidiary..... | 2,572 | 2,322 | 2,572 | 2,322 | — | — |
| Sundry investments and deferred items. | 7,745 | 3,994 | 7,163 | 2,731 | 582 | 1,263 |
| Property, plant and equipment, net.... | 133,621 | 144,839 | 91,856 | 103,696 | 41,765 | 41,143 |
| | <u>\$366,773</u> | <u>\$374,605</u> | <u>\$255,645</u> | <u>\$268,847</u> | <u>\$111,128</u> | <u>\$105,758</u> |
| Liabilities | | | | | | |
| Notes payable due in one year..... | \$ 5,675 | \$ 4,749 | \$ 5,500 | \$ 4,000 | \$ 175 | \$ 749 |
| Accounts payable and accrued liabilities | 40,624 | 39,858 | 24,186 | 24,769 | 16,438 | 15,089 |
| Taxes on income..... | 13,613 | 14,335 | 3,218 | 5,273 | 10,395 | 9,062 |
| Total current liabilities..... | 59,912 | 58,942 | 32,904 | 34,042 | 27,008 | 24,900 |
| Notes payable, less current portion.... | 9,724 | 15,399 | 7,500 | 13,000 | 2,224 | 2,399 |
| Minority interest in foreign subsidiaries | 3,846 | 3,845 | — | — | 3,846 | 3,845 |
| Reserves | 16,666 | 14,896 | 1,429 | — | 15,237 | 14,896 |
| Stockholders' Equity | 276,625 | 281,523 | 213,812 | 221,805 | 62,813 | 59,718 |
| | <u>\$366,773</u> | <u>\$374,605</u> | <u>\$255,645</u> | <u>\$268,847</u> | <u>\$111,128</u> | <u>\$105,758</u> |

STATISTICAL SUMMARIES

DOLLAR AMOUNTS IN THOUSANDS EXCEPT AS INDICATED

statistics

| | 1961 | 1960 | 1959 | 1958 | 1957 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | | | | | |
| U. S. Company | \$328,603 | \$353,356 | \$397,148 | \$350,060 | \$367,439 |
| Foreign subsidiaries | 140,309 | 126,880 | 120,265 | 126,560 | 115,441 |
| Consolidated | <u>468,912</u> | <u>480,236</u> | <u>517,413</u> | <u>476,620</u> | <u>482,880</u> |
| Net income | | | | | |
| U. S. Company | 5,754 | 4,522 | 11,074 | 4,914 | 6,799 |
| Foreign subsidiaries | 8,176 | 8,667 | 10,297 | 10,073 | 8,620 |
| Consolidated | <u>13,930</u> | <u>13,189</u> | <u>21,371</u> | <u>14,987</u> | <u>15,419</u> |
| Per share of common stock.. | 1.19 | 1.10 | 1.80 | 1.25 | 1.29 |
| Dividends paid on common stock | | | | | |
| Total | 9,246 | 9,347 | 8,775 | 6,440 | 12,881 |
| Per share of common stock.. | .80 | .80 | .75 | .55 | 1.10 |
| Common stockholders' equity | | | | | |
| U. S. Company | 209,426 | 217,419 | 215,764 | 209,882 | 207,525 |
| Foreign subsidiaries | 62,813 | 59,718 | 58,292 | 52,240 | 46,357 |
| Total | <u>272,239</u> | <u>277,137</u> | <u>274,056</u> | <u>262,122</u> | <u>253,882</u> |
| Per share of common stock.. | 23.72 | 23.79 | 23.45 | 22.38 | 21.68 |
| Net current assets | | | | | |
| U. S. Company | 121,150 | 126,056 | 126,510 | 113,088 | 109,440 |
| Foreign subsidiaries | 41,773 | 38,452 | 36,626 | 33,190 | 32,758 |
| Total | <u>162,923</u> | <u>164,508</u> | <u>163,136</u> | <u>146,278</u> | <u>142,198</u> |
| Property, plant and equipment, net | | | | | |
| U. S. Company | 91,856 | 103,696 | 107,772 | 110,684 | 111,925 |
| Foreign subsidiaries | 41,765 | 41,143 | 40,137 | 38,849 | 36,091 |
| Total | <u>133,621</u> | <u>144,839</u> | <u>147,909</u> | <u>149,533</u> | <u>148,016</u> |
| Capital expenditures | | | | | |
| U. S. Company | 8,235 | 9,174 | 8,259 | 10,099 | 25,387 |
| Foreign subsidiaries | 6,172 | 6,073 | 6,277 | 6,766 | 9,074 |
| Total | <u>14,407</u> | <u>15,247</u> | <u>14,536</u> | <u>16,865</u> | <u>34,461</u> |
| Provision for depreciation | | | | | |
| U. S. Company | 10,010 | 9,990 | 10,386 | 9,378 | 9,120 |
| Foreign subsidiaries | 5,355 | 5,020 | 4,801 | 4,076 | 3,669 |
| Total | <u>15,365</u> | <u>15,010</u> | <u>15,187</u> | <u>13,454</u> | <u>12,789</u> |
| Average number of employees | | | | | |
| U. S. Company | 18,300 | 20,700 | 22,000 | 21,600 | 23,200 |
| Foreign subsidiaries | 16,800 | 16,000 | 15,100 | 15,800 | 16,200 |
| Total | <u>35,100</u> | <u>36,700</u> | <u>37,100</u> | <u>37,400</u> | <u>39,400</u> |

notes to financial statements

1. All subsidiaries are included in the consolidated financial statements except the Brazilian subsidiary which has been excluded because of the instability of that country's currency.

2. Inventories aggregating \$50,618,842 at December 31, 1961 were priced at cost on a "last-in, first-out" basis. As a result of the application of this method, the carrying value of these inventories is approximately \$14,470,000 below current cost. The remainder of the inventories totaling \$62,975,808 was priced at cost or market, whichever was lower, cost being determined in part on a "first-in, first-out" basis and in part on an average cost basis.

3. In compliance with the court judgment of September 20, 1960, the net assets of the Youngstown Kitchens Division, approximating \$12,000,000, were sold for cash and a mortgage note.

4. The details of notes payable at December 31, 1961 (excluding 1962 installments included in "Current Liabilities") follow:

U. S. COMPANY

| | |
|--|--------------|
| 4½ % Term notes payable (under credit agreement dated January 1, 1957), which, subject to the right of prepayment, mature in quarterly installments to January 1, 1964 | \$ 7,500,000 |
|--|--------------|

FOREIGN SUBSIDIARIES

| | |
|--|--------------|
| 5½ % Promissory notes due in annual installments 1963—1977.. | 2,060,000 |
| Other | 163,960 |
| | \$ 9,723,960 |

In accordance with the credit agreement dated January 1, 1957, earned surplus of the

U. S. Company is restricted with respect to payment of dividends. At December 31, 1961, the earned surplus of the U. S. Company amounted to \$118,918,355 of which \$107,534,450 was subject to this restriction.

5. Contributions to the Company's pension plans totaled \$1,169,299 in 1961 and \$3,981,787 in 1960. In view of contributions made in prior years under the U. S. Non-Contributory Pension Plan and the substantial amounts in the fund, it was not considered necessary to make further payments this year. The estimated unfunded past service cost under these plans as of December 31, 1961 amounted to \$19,900,000.

6. Under the Restricted Stock Option Plan adopted in 1959, 500,000 shares of common stock may be optioned to key employees of the Company and its subsidiaries. Option prices may not be less than the fair market value on the date the option is granted and options may not be granted after September 9, 1969. The Company may deliver either unissued shares or shares acquired and held in its treasury.

All options expire ten years from the date of grant, except that options for 74,500 shares are for shorter terms expiring not more than three months after the normal retirement of the respective optionees. All options granted are exercisable in installments on a cumulative basis over the life of the option, the first installment being exercisable two years after the date of the grant.

During the year, options were granted for 23,000 shares, options for 17,500 shares were cancelled and options for 2,500 shares at a price of \$14.63 per share were exercised. At December 31, 1961 options for 183,500 shares (under which installments for 21,400 shares were exercisable) were outstanding at prices ranging from \$13.63 to \$15.75 per share and 314,000 shares were available for future options.



operating divisions and subsidiaries

U.S. DIVISIONS

ADVANCED TECHNOLOGY LABORATORIES

Mountain View, California

E. JUSTIN WILSON, *President*

AIR CONDITIONING DIVISION

New York, N. Y.

CLYDE H. WILKINSON, *President*

AMSTAN SUPPLY DIVISION

Pittsburgh, Pa.

C. GILMORE RUSTON, *President*

C. F. CHURCH DIVISION

Holyoke, Mass.

WELLS A. GARDNER, *President*

CONTROLS DIVISION

Detroit, Mich.

J. C. LINSSENMEYER, *Acting President*

INDUSTRIAL DIVISION

Detroit, Mich.

ALBERT O'B. ANDREWS, *President*

PLUMBING AND HEATING DIVISION

New York, N. Y.

JOSEPH J. DECKER, *President*

TONAWANDA IRON DIVISION

No. Tonawanda, N. Y.

ROBERT L. CLEVELAND, *President*

FOREIGN SUBSIDIARIES

AMERICAN-STANDARD PRODUCTS (CANADA) LIMITED

Toronto, Canada

CLARENCE W. JOHNSON, *President*

IDEAL-STANDARD G.M.B.H.

Vienna, Austria

HEINRICH JINDRA, *Managing Director*

IDEAL-STANDARD S.A.

Brussels, Belgium

PAUL LEBRUN, *Managing Director*

IDEAL-STANDARD S.A.

Sao Paulo, Brazil

LUIS E. CAMPELLO, *Managing Director*

IDEAL-STANDARD LIMITED

London, England

RONALD H. THORNLEY, *Managing Director*

IDEAL-STANDARD S.A.

Paris, France

ROBERT CHARCUSSET, *Managing Director*

IDEAL-STANDARD G.M.B.H.

Bonn, Germany

GERHARD LAU, *Managing Director*

IDEAL-STANDARD S.P.A.

Milan, Italy

G. B. ZANCHI, *Managing Director*

IDEAL-STANDARD (HOLLAND) N.V.

Amsterdam, Netherlands

CORNELIUS SANTIFORT, *Managing Director*

IDEAL-STANDARD A.G.

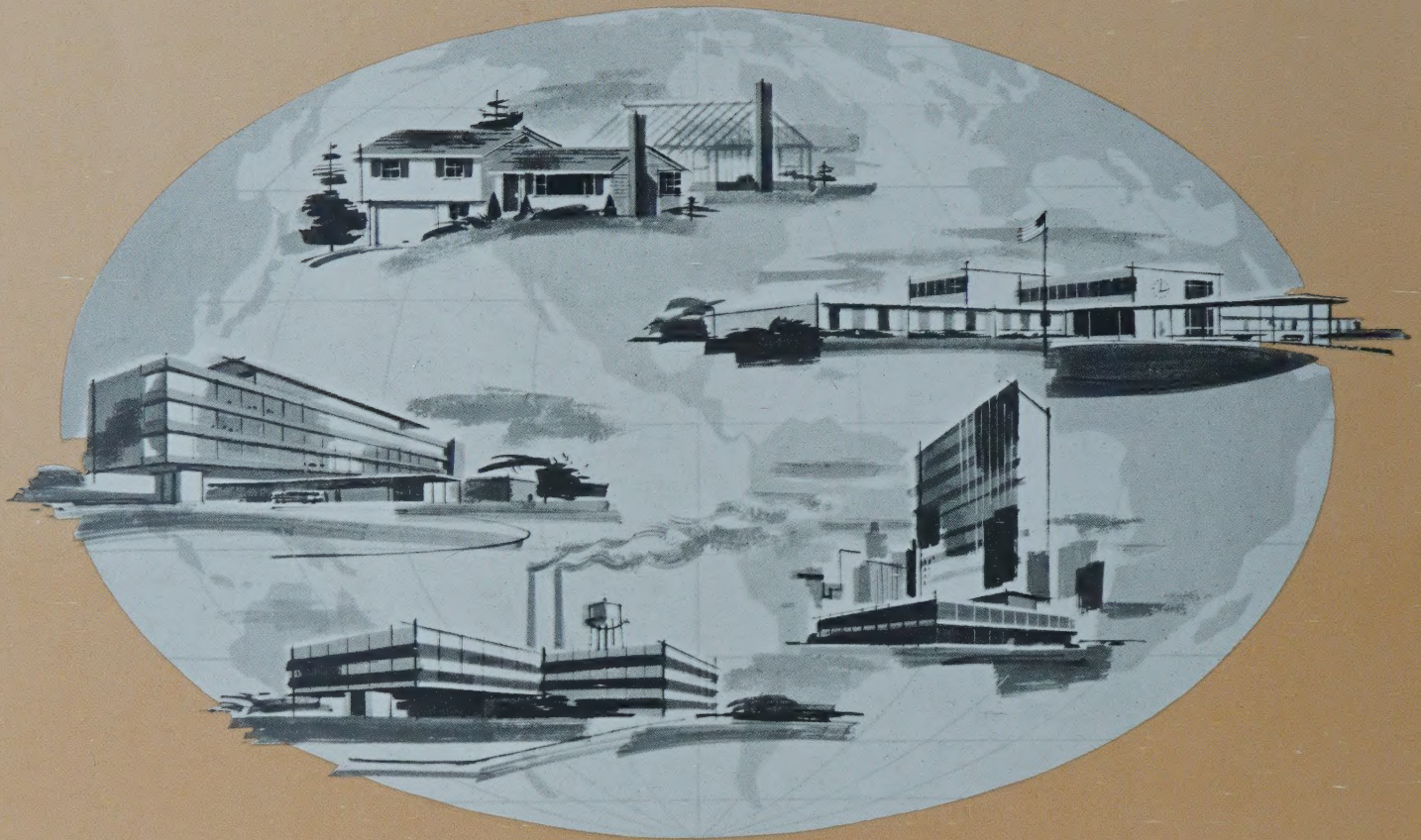
Dulliken, Switzerland

MAX ULLRICH, *Managing Director*



AMERICAN-Standard

SERVING HOME AND INDUSTRY THROUGHOUT THE WORLD



PRODUCTS

Air Conditioning
Air Handling
Plumbing Fixtures
Controls
Heating
Heat Transfer Equipment
Instrumentation

Kitchen Equipment
Nuclear Reactors
Pig Iron
Plastics
Refrigeration
Water Heaters

MANUFACTURING OPERATIONS IN

North America

United States
Canada

South America

Brazil

Europe

Austria
Belgium
England
France
Germany
Italy
Switzerland

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION